

Susman Godfrey LLP Wins Precedent-Setting Arbitration Against Morgan Stanley

NEW YORK – On Thursday, February 21, a panel of FINRA arbitrators unanimously ruled in favor of two former Morgan Stanley brokers, represented by Susman Godfrey LLP, in a multimillion-dollar dispute against global bank Morgan Stanley.

The case centered on nearly \$5 million in bonuses Morgan Stanley paid to the brokers, which the bank claimed were owed back to them when the brokers resigned from the firm to join another bank. After a three-day arbitration and testimony from several witnesses, the panel rejected Morgan Stanley's claims in their entirety, and ordered that the bank pay nearly \$1.5 million to Susman Godfrey's clients on account of commissions lost as a result of the bank's actions. The brokers were represented by partners Jacob W. Buchdahl and Arun Subramanian from Susman Godfrey's New York office and by David Shank from the firm's Dallas office.

Morgan Stanley and the other investment banks have filed hundreds of these collection actions over the years, and they typically win. Not this time. "The panel's decision was a clear rejection of the bank's practices, and we're thrilled for our clients," said Buchdahl.

"Morgan Stanley treated this case as a routine collection action, but the panel recognized that our clients—not the bank—were the real victims here," added Subramanian. The case against Morgan Stanley is captioned Morgan Stanley Smith Barney v. Jorge A. Carreras and Carlos J. Molina, FINRA No. 11-3407 &3408.

This case was the second victory for Susman Godfrey in two weeks against the banking industry. Earlier this month, Susman Godfrey's client in Assured Guaranty Municipal Corp v. Flagstar Bank was awarded approximately \$90 million in a breach-of-contract case involving mortgage-backed securities issued by the defendant Flagstar Bank. Assured Guaranty was represented by Buchdahl and Subramanian, as well as by partners Warren Burns and Joseph Portera of Susman Godfrey's Dallas office.